

Message Text

PAGE 01 STATE 215069
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ICA (INFO)
NEA/AFN - MR. HESTER
NEA/ARN - MR. NEUMANN
NEA/EGY - MS. O'NEILL
NEA/ARP - MR. ZIOLKOWSKI
NEA/IRN - MR. PRECHT
T - MR. BROWN

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FM SECSTATE WASHDC
TO AMEMBASSY AMMAN PRIORITY
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E.O. 11652: N/A

TAGS: SOPN

SUBJECT: MIDDLE EAST PORTIONS OF BENSON PRESS BRIEFING
UNCLASSIFIED

PAGE 02 STATE 215069

FOLLOWING ARE THE MIDDLE EAST PORTIONS OF THE ON-THE-
RECORD BRIEFING AT THE DEPARTMENT BY UNDER SECRETARY OF
STATE FOR SECURITY ASSISTANCE LUCY WILSON BENSON,
AUGUST 22, 1978.

MRS. BENSON: THE CEILING, AS YOU WILL REMEMBER, WHICH
THE PRESIDENT SET FOR ARMS TRANSFERS FOR '78 WAS
DOLS 8.55 BILLION WHICH IS AN 8 PERCENT REDUCTION OVER
WHAT WAS SOLD IN 1977. AND THERE ARE SEVERAL IMPORTANT
POINTS THAT I WANT TO MAKE FIRST OFF, TO CLARIFY CONFUSIONS

AND MISUNDERSTANDINGS WHICH SEEM TO PERPETUATE THEMSELVES.

FIRST OF ALL, THE ADMINISTRATION HAS NOT YET AND WILL NOT, EXCEED THE ESTABLISHED CEILING OF DOLS 8.55 BILLION.

OUR ACCOUNTING SYSTEM IS BASED ON SIGNED LETTERS OF OFFER, WHICH MEANS BINDING CONTRACTS. THESE ARE VERY DIFFERENT FROM THE CONGRESSIONAL NOTIFICATIONS UNDER SECTION 36B OF THE ARMS EXPORT CONTROL ACT.

THE SECOND MAJOR POINT IS THAT NOT ALL SALES TO ALL

COUNTRIES COUNT TOWARD THAT CEILING OF DOLS 8.55 BILLION.

NATO COUNTRIES ARE EXEMPTED FROM THE CEILING, JAPAN, AUSTRALIA AND NEW ZEALAND ARE EXEMPTED FROM THE CEILING, NON-WEAPONS-RELATED CONSTRUCTION WHICH IS CONDUCTED BY THE CORPS OF ENGINEERS AND MOSTLY IN SAUDI ARABIA, IS EXEMPTED FROM THE CEILING. COMMERCIAL SALES OF MUNITIONS LIST ITEMS (WHICH INCLUDES EVERYTHING FROM MESS KITS, TENTS AND UNIFORMS UP THROUGH JEEPS, LIGHT AIRCRAFT AND SPARE PARTS -- MANY THOUSANDS OF ANNUAL TRANSACTIONS) UNCLASSIFIED

PAGE 03 STATE 215069

ARE EXEMPTED FROM THE CEILING. THESE ARE CLOSELY CONTROLLED BY THE STATE DEPARTMENT, BUT THEY ARE EXEMPTED FROM THE CEILING.

AS OF NOW, AS OF THIS MORNING AS A MATTER OF FACT, WE HAVE ABOUT DOLS 6.2 BILLION IN SIGNED LETTERS OF OFFER THAT RELATE TO WEAPONS OR WEAPON-RELATED ITEMS, TO COUNTRIES NOT EXEMPT FROM THE POLICY (SO THAT MEANS DOLS 6.2 BILLION TOWARD THE CEILING OF DOLS 8.55.)

WE EXPECT VARIOUS GOVERNMENTS TO ACCEPT ADDITIONAL LETTERS OF OFFER BETWEEN NOW AND THE END OF THE FISCAL YEAR, WHICH IS SEPTEMBER 30. THE RESULT IS THAT WE WILL PROBABLY BE CLOSE TO THE CEILING BUT WE WILL NOT EXCEED IT.

ON THE SUBJECT OF 36B NOTIFICATIONS TO THE CONGRESS THERE IS BEFORE THE CONGRESS NOW DOLS 3.490 BILLION WORTH. YOU WILL RECALL THAT THIS PROCESS BEFORE THE CONGRESS TAKES 50 DAYS, 20 DAYS INFORMAL AND 30 DAYS FORMAL NOTICE. I WANT TO STOP HERE TO MAKE A POINT ABOUT THE RELATIONSHIP BETWEEN THE NOTIFICATION TO THE CONGRESS AND THE CEILING -- THE ARMS TRANSFER CEILING. THERE IS ONLY A VERY TENUOUS RELATIONSHIP BETWEEN THE NOTIFICATION OF ARMS TRANSFER TO THE CONGRESS AND THE PRESIDENT'S CEILING BECAUSE:

(A) THEY MAY NOT BE RELATED TO THE CEILING. IN OTHER

WORDS, IT COULD BE AN EXEMPT COUNTRY.

(B) THEY MAY NOT BE SIGNED DURING THE CURRENT FISCAL YEAR -- EITHER BECAUSE THERE ISN'T TIME ENOUGH YET BEFORE THE 50-DAYS NOTICE PERIOD OR BECAUSE THE GOVERNMENT FOR WHOM IT WAS OFFERED WON'T SIGN IT BEFORE THE END OF THE FISCAL YEAR. THAT SOMETIMES HAPPENS.

UNCLASSIFIED

PAGE 04 STATE 215069

(C) THEY MAY NOT BE SIGNED AT ALL. FREQUENTLY, WE SEND NOTIFICATIONS TO CONGRESS AND AT THE LAST MINUTE AFTER

THE CONGRESS HAS ALLOWED THEM TO GO THROUGH, THE GOVERNMENT CHANGES ITS MIND AND DECIDES NOT TO SIGN THAT LETTER OF OFFER AFTER ALL. OR, THEY EVEN MAY BE SPREAD OUT OVER A NUMBER OF YEARS.

IT IS IMPORTANT TO REMEMBER, WE DON'T SEND LOA'S TO CONGRESS, WE SEND NOTIFICATIONS, AND THERE IS A BIG DIFFERENCE BETWEEN THAT.

THE NEW FISCAL YEAR BEGINS ON OCTOBER 1 AND THE REASON THAT WE ARE SENDING UP A NUMBER OF NOTIFICATIONS NOW, IS THAT ANY ARMS TRANSFER ACTIVITY THAT WE WANT TO DO IN THE FIRST FEW MONTHS OF FISCAL YEAR '79, MUST BE NOTIFIED BEFORE THE CONGRESS LEAVES TOWN WHEN IT ADJOURNS. IN FACT, WITHOUT THESE EARLY NOTIFICATIONS, WE WOULD LOSE ROUGHLY FIVE MONTHS TIME BETWEEN OCTOBER AND JANUARY WHEN THE CONGRESS COMES BACK AND WE RESUME THE 50-DAY NOTIFICATION PROCESS.

Q. WHAT ABOUT YOUR DEFENSE PROGRAM, YOUR CONSTRUCTION PROGRAM IN SAUDI ARABIA?

A. THAT'S BIGGER THAN IT WAS LAST YEAR BECAUSE WE ARE IMPLEMENTING AGREEMENTS MADE OVER A PERIOD OF YEARS. THE TOTAL FIGURE FOR SAUDI ARABIA IN '77 WAS DOLS 1.8 BILLION.

Q. CONSTRUCTION?

A. NO, THAT'S THE TOTAL OF EVERYTHING.

UNCLASSIFIED

PAGE 05 STATE 215069

Q. WELL THAT OVERLAPS, THEN, WITH THE NON-EXEMPT TOTAL.

A. THAT COMES OUT OF THE DOLS 8.55 BUT THE EXEMPT FIGURE DOES NOT.

Q. SOME OF THE DOLS 1.8 FOR SAUDI ARABIA COMES OUT OF THE DOLS 8.55, AND SOME DOES NOT.

A. THAT IS TRUE.

Q. SO DO YOU HAVE ANY IDEA OF HOW MUCH OF THAT DOLS 1.8 FOR SAUDI ARABIA IS EXEMPT?

A. THAT'S LAST YEAR. THIS YEAR, IT IS ESTIMATED FOR '78 AS DOLS 4.9.

Q. DIDN'T THE PRESIDENT SET A GOAL OF A CONSTANT REGULAR REDUCTION EACH YEAR IN THE NONEXEMPT ARMS SALES?

A. HE SET A GOAL OF REDUCING ARMS TRANSFERS EXCEPT TO THE EXEMPT COUNTRIES, BUT HE HAS NOT SPECIFIED BY HOW MUCH EACH YEAR.

Q. YOU NOW HAVE HAD OVER A YEAR'S EXPERIENCE WITH THIS CEILING, AND I WONDER HOW EFFECTIVE AND WORKABLE IT IS PROVING TO BE. A CASE IN POINT WAS THE REPORT WHICH WAS FIRST MADE PUBLIC BY CONGRESSMAN FINLEY TOWARD THE END OF LAST WEEK, THAT BECAUSE OF THE CEILING THE UNITED STATES IN EFFECT HAS HAD TO ALLOW TWO EUROPEAN COUNTRIES TO BUILD ABOUT DOLS 2 BILLION WORTH OF SHIPS FOR THE IRANIANS, WHILE WE PROVIDE THE MISSILES, GUNS AND OTHER LETHAL EQUIPMENT.

CONGRESSMAN FINLEY DOESN'T THINK THAT MAKES A LOT OF SENSE AND THERE ARE A LOT OF PEOPLE AROUND TOWN WHO AGREE WITH HIM. SO BOTH IN TERMS OF THIS CASE AND IN UNCLASSIFIED

PAGE 06 STATE 215069

TERMS OF OTHER CASES WHICH MAY OR MAY NOT HAVE BEEN IN THE NEWS -- IS THIS CEILING PROVING TO BE AN EFFECTIVE THING OR IS IT JUST PROVING TO BE AN IDEA THAT IS NOT PRACTICAL IN ITS IMPLEMENTATION?

A. WELL I SUPPOSE IT ALL DEPENDS ON HOW YOU JUDGE "PRACTICALITY." THE PRESIDENT WAS TRYING TO MAKE A CONTRIBUTION TO REDUCING INTERNATIONAL ARMS TRAFFIC, AND PARTICULARLY OUR PART IN IT, AND HE SET A POLICY WHICH IS BEING IMPLEMENTED.

THE FACT OF THE MATTER IS THAT THE PRESIDENT INFORMED THE SHAH WHEN THEY MET BACK IN NOVEMBER, I THINK IT WAS, THAT WE HAD THIS CEILING; AND THE SHAH HAD ALREADY DECIDED HE WANTED TO BUY HIS AIRCRAFT FROM US AND SO HE DECIDED TO BUY HIS SHIPS ELSEWHERE. (THAT MIGHT HAVE HAPPENED WHETHER WE HAD A CEILING OR NOT.)

Q. WHY WOULD IT?

THE SHAH WANTED TO BUY THE SHIPS FROM THE UNITED STATES BUT BECAUSE OF THE CEILING HE KNEW THE U.S. COULDN'T ALLOW HIM TO DO SO, SO HE BOUGHT THEM IN EUROPE.

A. THAT'S TRUE -- BUT HE COULD HAVE BOUGHT THE SHIPS INSTEAD OF THE AIRCRAFT --

Q. WELL, WITHOUT THE CEILING, HE WOULD HAVE BOUGHT THEM BOTH -- THAT'S WHERE HE WANTED TO BUY THEM.

A. QUITE LIKELY -- SO YOUR QUESTION IS WHAT?

Q. MY QUESTION IS: WHAT SENSE DOES IT MAKE TO HAVE THIS UNCLASSIFIED

PAGE 07 STATE 215069

KIND OF CEILING IF YOU ARE GOING TO THEN TURN AROUND AND SELL HIM THE GUNS AND THE LETHAL PART OF IT -- BUT HAVE SOMEBODY ELSE BUILD THE SHIPS WHICH AMERICAN SHIP-BUILDING COMPANIES COULD OTHERWISE BUILD.

A. FIRST OF ALL, IT MAKES SENSE BECAUSE THE PRESIDENT WANTS TO REDUCE THE AMOUNT OF ARMS WE EXPORT FROM THE UNITED STATES. WE START OFF WITH THAT, AND FROM THAT POINT OF VIEW IT MAKES SENSE.

SECONDLY, THAT DOESN'T MEAN THAT YOU ARE GOING TO STOP SELLING ARMS, IT MEANS YOU ARE GOING TO REDUCE WHAT YOU SELL.

THEY WANTED TO BUY THE ARMS PARTS, THE MISSILES AND THE ELECTRONIC EQUIPMENT FOR THE SHIPS, SO THAT THEY WOULD BE COMPATIBLE WITH THEIR OTHER SHIPS LIKE THE DESTROYERS WE HAVE ALREADY SOLD THEM. THIS GIVES THEM A MUCH BETTER OPERATING SYSTEM IF THEY HAVE A COMMONALITY AMONG THEIR WEAPONS AND ELECTRONIC SYSTEMS AND COMMUNICATIONS ETC.

Q. LET ME PUT THE QUESTION ANOTHER WAY.

WAS ANY CONSIDERATION GIVEN TO ALLOW -- SINCE WE ARE GOING TO SELL THEM THE LETHAL PART -- TO ALLOWING THE SHAH TO BUY THE NONLETHAL PART FROM THE UNITED STATES DESPITE THE CEILING -- SO THAT THE WORK COULD BE GIVEN TO AMERICAN SHIPYARDS?

A. THE SHAH NEVER OFFICIALLY ASKED TO BUY THOSE SHIPS, THOSE FRIGATES, FROM US. HE DECIDED ON HIS OWN HOOK, AFTER BEING APPRISED OF WHAT THE PRESIDENT'S CEILING WAS AND WHAT THE PRESIDENT MEANT, AND KNOWING FULL WELL THAT HE HAS A LONG LIST OF ARMS OF VARIOUS KINDS, FROM AIR-CRAFT TO TANKS, THAT HE WANTS TO BUY FROM THE UNITED STATES -- HE REALIZED THAT HE COULD NOT POSSIBLY BUY

UNCLASSIFIED

PAGE 08 STATE 215069

EVERYTHING ON HIS LONG LIST FROM US UNDER THE CEILING.

Q. AND MY QUESTION IS: WAS ANY CONSIDERATION GIVEN TO MAKING AN EXCEPTION TO THE CEILING SO THAT HE COULD BUY THESE SHIPS FROM THE UNITED STATES?

A. NO, THERE WAS NO CONSIDERATION GIVEN TO MAKING AN EXCEPTION OF THE CEILING. HE DIDN'T ASK FOR ONE AND I DON'T THINK IT OCCURRED TO ANY OF US TO EVEN OFFER ONE. (BESIDES WHICH, IT WOULDN'T HAVE BEEN DONE BECAUSE THAT

WOULD BE THE END OF THE "CEILING.")

Q. WELL IF THE PURPOSE OF THE CEILING IS TO PREVENT A PROLIFERATION OF CONVENTIONAL ARMS AROUND THE WORLD, THEN THIS PARTICULAR TRANSACTION WITH THE SHAH CERTAINLY EVADES THAT AND LEAVES YOUR CEILING WITH HOLES IN IT -- DOESN'T IT? YOU ARE NOT REALLY ACHIEVING A REDUCTION IN ARMS, YOU ARE SIMPLY REDUCING THE AMOUNT OF ARMS THE UNITED STATES IS SELLING BY LETTING SOMEONE ELSE PROVIDE THEM.

A. BUT THERE ARE TWO PARTS TO THE PRESIDENT'S POLICY:

HIS LONG TERM INTEREST IS REDUCING THE OVERALL INTERNATIONAL TRAFFIC IN ARMS.

HIS ALSO LONG TERM, BUT SOMEWHAT MORE IMMEDIATE, INTEREST IS IN LIMITING, REDUCING U.S. PARTICIPATION IN THAT INTERNATIONAL TRAFFIC.

HE NEVER SAID THAT HE WAS GOING TO STOP ARMS SALES, OR STOP THE INTERNATIONAL ARMS TRAFFIC -- BECAUSE HE
UNCLASSIFIED

PAGE 09 STATE 215069

RECOGNIZES THAT AS HE SAID IN HIS POLICY, THAT "ARMS ARE AN IMPORTANT TOOL OF FOREIGN POLICY." AND UNTIL SUCH TIME AS WE HAVE A WORLD WITHOUT ARMS, I EXPECT THAT WILL BE SO.

BUT WHAT HE IS TRYING TO DO IS TO LEAD THE WAY AMONG THE ARMS EXPORTING NATIONS, TO REDUCE OUR PARTICIPATION IN SAME.

Q. A FOLLOW UP ON THAT, IF I MAY.

IS THERE ANY EVIDENCE THAT ANYBODY IS FOLLOWING OUR LEAD?

A. I THINK IT'S TOO SOON -- I DON'T THINK WE HAVE ANY HARD EVIDENCE AND IT'S TOO SOON TO HAVE ANY REAL HARD EVIDENCE.

NOBODY HAS SHIPPED ARMS TO CERTAIN PARTS OF THE WORLD -- LIKE AFRICA IN SOME CASES -- BUT THERE HAS BEEN NO FORMAL AGREEMENT AMONG NATIONS; AND I WOULDN'T SAY THAT THERE HAD BEEN ANY REALLY CONCRETE SIGNS THAT THE OTHER ARMS EXPORTERS ARE FOLLOWING OUR LEAD.

HOWEVER, WE HAVE BARELY GOTTEN THROUGH ONE YEAR -- IN

FACT, WE ARE NOT YET THROUGH ONE YEAR OF THE POLICY. WE ARE CARRYING OUT CONSULTATIONS WITH THE OTHER ARMS EXPORTERS (THE SOVIET UNION ON THE ONE HAND AND THE BRITAIN, FRANCE AND WESTERN GERMANY ON THE OTHER). I THINK IN THE LONG RUN THIS WILL PAY OFF, BUT I THINK WE HAVE TO BE PATIENT.

Q. ONE SPECIFIC THING -- FOR INSTANCE THE MIDDLE EAST AIRPLANE PACKAGE FOR \$5.5 BILLION -- THAT IS ALL INCLUDED IN THIS \$8.55?

UNCLASSIFIED

PAGE 10 STATE 215069

A. NO. THAT IS WHERE YOU GET INTO THE DIFFERENCE BETWEEN A CONGRESSIONAL NOTIFICATION AND A SIGNED CONTRACT.

THE CONGRESSIONAL NOTIFICATION, THE LAW REQUIRES THAT WE REPORT, AT THE TIME WE SEND UP A NOTICE, THE FULL VALUE OF, OR COST OF "X" TRANSACTION.

THE CONTRACTS, HOWEVER, ARE NOT SIGNED ALL AT ONE TIME. THEY ARE SIGNED IN SOME CASES -- THEY WILL IN THIS CASE, SOME OF THEM WILL BE SIGNED IN '78 AND SOME IN '79, AND SOME NOT UNTIL 1980.

Q. SO THEN ON A BIG ARMS SALE LIKE THAT BY SIMPLY STRETCHING IT OUT, YOU CAN MAKE THE CEILING. BUT NEVERTHELESS, THE POLITICAL DECISION WAS MADE IN FY '78 TO SELL THOSE AIRPLANES.

A. THAT'S RIGHT. IT WILL BE COUNTED AS THE CONTRACTS ARE SIGNED AS THE LOAS ARE SIGNED. THIS IS THE WAY WE HAVE ALWAYS DONE IT. THAT HAS ALWAYS BEEN DONE THIS WAY EVER SINCE THERE HAS BEEN SUCH A THING AS THE LOA. THEY HAVE BEEN COUNTED -- FOR PURPOSES OF ANYTHING, THEY HAVE NOT BEEN COUNTED (WHETHER WE HAD A CEILING OR NOT) UNTIL SUCH TIME AS THE CONTRACT WAS SIGNED.

THERE IS NO EARTHLY WAY YOU COULD KEEP A PROPER ACCOUNTING OF WHAT YOU WERE ACTUALLY SIGNING UP UNLESS

YOU DO IT WHEN YOU SIGN A CONTRACT.

Q. BUT FOR INSTANCE, IF YOU WERE TO ADD -- JUST FROM A LAYMAN'S POINT OF VIEW -- THE \$5.5 OF THIS YEAR'S TOTAL -- THEN YOU WOULD BE OVER YOUR \$8.55 CEILING.
UNCLASSIFIED

PAGE 11 STATE 215069

A. WELL NO, BECAUSE PART OF THE \$8.55 CEILING INCLUDES -- THE \$8.55 CEILING INCLUDES PART OF THE CONTRACTS FOR THE MIDDLE EAST AIRCRAFT PACKAGE. THOSE PARTS WHICH

WERE DUE TO BE SIGNED -- THE CONTRACTS WERE SIGNED IN THIS FISCAL YEAR. THEY ARE INCLUDED WITHIN \$8.55.

IF IT SHOULD HAVE HAPPENED (WHICH IS JUST NOT POSSIBLE, THE WAY THESE THINGS ARE DONE) THAT ALL OF THE TOTAL VALUE OF THE THREE PROPOSALS FOR THE MIDDLE EAST ARMS AIRCRAFT WERE SIGNED THIS YEAR -- THEY WOULD HAVE FIT IN UNDER THE CEILING, AND OTHER THINGS WOULD NOT HAVE BEEN SOLD.

Q. BUT IT MAY WELL BE THAT THE COMPARABLE FIGURE FOR THE NEXT YEAR, WHEN THE MIDDLE EAST ARMS PACKAGE BECOMES A REALITY -- WHEN THOSE CONTRACTS ARE SIGNED -- THAT FIGURE MAY BE CONSIDERABLY HIGHER THAN THIS YEAR'S -- OR THAT 1980'S FIGURE WILL BE HIGHER THAN 1979.

A. NO, BECAUSE WE ARE GOING TO SEE THAT IN EACH CASE WE TAKE CARE OF THE PREVIOUS YEAR'S COMMITMENTS. WE HAVE GOT THIS FIGURED OUT BEFORE WE SELL ANY MORE ARMS UNDER THE CEILING.

SEE, YOU START OFF WITH A CERTAIN NUMBER OF GIVENS. YOU KNOW, FOR INSTANCE, AT THE BEGINNING OF FISCAL YEAR '79 -- LET'S JUST SAY OCTOBER 1 -- WE WILL KNOW THAT WE STILL HAVE LEFT TO SIGN, OR WE EXPECT TO SIGN LOA CONTRACTS ON THE MIDDLE EAST ARMS PACKAGE -- LET'S SAY OF \$2 BILLION JUST AS A HYPOTHETICAL SITUATION:

SOME WERE SIGNED -- WE ALREADY SIGNED SOME OF THE LOAS HAVING TO DO WITH THOSE AIRCRAFT SALES IN '78. WE HAVE \$2 BILLION LEFT TO SIGN, SO IF WE WERE GOING TO
UNCLASSIFIED

PAGE 12 STATE 215069

SIGN ALL THAT \$2 BILLION (AND REMEMBER THIS IS A HYPOTHETICAL FIGURE) WE WOULD IMMEDIATELY PUT INTO NEXT YEAR'S -- UNDER NEXT YEAR'S CEILING WHATEVER IT IS (T;IS YEAR IT'S \$8.55 -- SUPPOSING IT'S \$8. NEXT YEAR) \$2 BILLION -- THAT WOULD LEAVE US INSTANTLY IN THE FIRST OF THE YEAR ONLY \$6 BILLION LEFT.

Q. FOR THAT YEAR -- EXCEPT THAT THEN YOU COULD DEFER THEM UNTIL THE NEXT YEAR -- AND THE YEAR AFTER THAT.

A. NO, YOU CANNOT DEFER THE SIGNING OF THE CONTRACTS -- THE WORK CAN'T GO ON. THE SIGNING OF THE CONTRACT IS GEARED TO WHEN THE WORK IS BEGUN BY EITHER THE AIRCRAFT MANUFACTURER OR THE SUBCONTRACTOR, OR WHAT HAVE YOU. THEY HAVE TO BE SIGNED AT CERTAIN TIMES. THOSE TIMES MAY VARY, DEPENDING UPON WHATEVER THE CONTRACT IS ABOUT.

YOU KNOW, THIS IS A BUSINESSLIKE PROCEDURE AND THINGS TAKE PLACE AT CERTAIN TIMES WHEN YOU ARE BUILDING AIRCRAFT -- AND YOU SIGN SOME CONTRACTS RIGHT AT THE BEGINNING, THEN YOU SIGN --

Q. AT ONE TIME, ISRAEL WAS GIVEN KIND OF A QUASI-EXEMPT STATUS. IS THAT NO LONGER THE CASE? IS ISRAEL THE SAME AS KENYA OR ANY OTHER COUNTRY?

A. WE HAVE SAID IN THE POLICY -- AND MAYBE I BETTER READ IT TO YOU:

"TO IMPLEMENT A POLICY OF ARMS RESTRAINT," THE PRESIDENT SAID, "I AM ESTABLISHING THE FOLLOWING SET OF CONTROLS APPLICABLE TO ALL TRANSFERS EXCEPT THOSE UNCLASSIFIED

PAGE 13 STATE 215069

COUNTRIES WITH WHICH WE HAVE MAJOR DEFENSE TREATIES, NATO, JAPAN, AUSTRALIA AND NEW ZEALAND. WE WILL REMAIN FAITHFUL TO OUR TREATY OBLIGATION AND WE WILL HONOR OUR HISTORIC RESPONSIBILITIES TO ASSURE THE SECURITY OF THE STATE OF ISRAEL."

SO THE RELATIONSHIP BETWEEN THE STATE OF ISRAEL AND THE PRESIDENT'S POLICY IS EXACTLY THE SAME AS IT WAS WHEN WE ANNOUNCED IT ON MAY 19, 1977.

Q. IN OTHER WORDS, NOT EXEMPT, BUT KIND OF EXEMPT?

A. "NOT EXEMPT, BUT KIND OF EXEMPT." IT MEANS WE'RE GOING TO HONOR OUR HISTORIC RESPONSIBILITIES, AND SO FAR, WE'RE DOING IT.

Q. THEN ON THE AIRPLANE PACKAGE. WHAT I THINK WE'RE TRYING TO GET AT IS THE 5.5 BILLION, WHENEVER IT COMES -- IN '78, '79, OR '80 -- IS IT GOING TO COME OUT OF SOMEBODY ELSE'S HIDE OR WILL ISRAEL, FOR EXAMPLE, OR SAUDI ARABIA BE ABLE TO BUY LESS BECAUSE OF THE AIRPLANES COMING IN? IS IT GOING TO MEAN A REDUCTION IN EFFECT IN OTHER ARMS SALES?

A. IT'S BOUND TO MEAN A REDUCTION IN OTHER ARMS SALES. IF YOU ARE DECREASING YOUR TOTAL YOU ARE SELLING, NOT COUNTING NATO, ET CETERA, IT IS BOUND TO MEAN A REDUCTION ON AN ANNUAL BASIS, I MEAN FROM YEAR TO YEAR, REGARDLESS OF WHAT THAT REDUCTION IS, ON YOUR TOTAL EXPORT OF ARMS TO NON-EXEMPT COUNTRIES. THAT DOES NOT NECESSARILY MEAN, HOWEVER, THAT ANY ONE COUNTRY IS GOING TO SUFFER.

Q. DID I UNDERSTAND YOU TO MENTION A \$4.9 BILLION FIGURE IN CONNECTION WITH SAUDI ARABIA. I DIDN'T GET WHAT THAT WAS FOR AND I HAVE ANOTHER QUESTION.

UNCLASSIFIED

PAGE 14 STATE 215069

A. THE MILITARY SALES AGREEMENTS, WHICH MEANS SIGNED LOAS FOR 1977 FOR SAUDI ARABIA WERE \$L.8 BILLION AND FOR 1978, \$4.9 BILLION. THAT'S PRIMARILY CONSTRUCTION.

Q. THE \$1.2 BILLION IN PROPOSED MILITARY SALES TO SAUDI ARABIA AND IRAN YOU DON'T EXPECT TO BE SIGNED BY SEPTEMBER 30TH?

A WIRE STORY SAYS THE CEILING HAS BEEN BOOSTED OVER THE \$8.55 BILLION.

A. IT'S NOT GOING TO GO OVER THE PRESIDENT'S CEILING, THAT'S FOR SURE; BUT I'M NOT SURE WHAT THE OTHER FIGURE IS THAT YOU'RE REFERRING TO.

Q. IT SAYS THE PENTAGON ANNOUNCED \$1.2 BILLION PROPOSED MILITARY SALES TO SAUDI ARABIA AND IRAN, BOOSTING THE YEAR'S TOTAL OVER \$8.6 BILLION, IT SAYS HERE.

A. SOME OF THOSE CASES INCLUDED IN THAT \$1.2 BILLION FIGURE WILL BE SIGNED THIS YEAR, SOME WILL BE SIGNED NEXT YEAR.

Q. BUT ENOUGH OF THEM WON'T BE SIGNED TO --

A. TO GO OVER THE CEILING -- NO WAY.

Q. COULD I ASK, I PRESUME PART OF THIS WAS PROMPTED BY STORIES SAYING THAT YOU ARE ASKING OTHER COUNTRIES -- I THINK IT IS NATO COUNTRIES -- TO TRANSFER ARMS TO NON-EXEMPT COUNTRIES TO GET AROUND THE CEILING. IS THAT HAPPENING?

UNCLASSIFIED

PAGE 15 STATE 215069

A. NOT TO MY KNOWLEDGE, NO. IN FACT THE THIRD-COUNTRY

TRANSFER IS ONE OF THE VERY STRICTEST OF THE CONTROLS UNDER THE PRESIDENT'S POLICY: NO U.S. MILITARY EQUIPMENT MAY BE SOLD BY ANYBODY, NATO OR OTHERWISE, TO A THIRD COUNTRY WITHOUT OUR EXPRESS PERMISSION, AND OUR GENERAL GUIDELINE FOR THAT IS THAT IF WE WOULD SELL X PIECE OF EQUIPMENT TO THAT THIRD COUNTRY OURSELVES, WE WOULD GIVE PERMISSION FOR SOMEBODY ELSE TO DO SO, BUT OTHERWISE NOT.

MR. ERICSON: COULD I SAY A WORD ON THOSE FRIGATES? ONE OF THE POINTS IS THAT NO FINAL DECISION HAS BEEN MADE AS TO THE SOURCE OF THE FRIGATES; THE CONTRACTS HAVE NOT BEEN LET. THE SHAH HAS INDICATED A PREFERENCE AND HAS CONDUCTED CONSIDERABLE NEGOTIATIONS WITH EUROPEAN SHIPYARDS.

WE RESPOND ONLY TO FORMAL REQUESTS FROM A GOVERNMENT FOR U.S. MILITARY EQUIPMENT. WE HAVE HAD NO SUCH FORMAL REQUEST FROM THE SHAH. WE HAVE AUTHORIZED AND LICENSED AMERICAN SHIPYARDS TO MAKE PROPOSALS ON THESE SHIPS TO THE SHAH. NOW, IF THE SHAH SHOULD CHOOSE AN AMERICAN SHIPYARD, THEN WE WOULD HAVE TO CONSIDER IT IN THAT LIGHT. BUT SO FAR WE HAVE NOTIFIED OF INTENTION ONLY TO SUPPLY THE WEAPON SYSTEMS FOR THESE SHIPS.

Q. ARE THERE ANY INFORMAL QUOTAS AMONG COUNTRIES THAT ARE INCLUDED IN THE NON-EXEMPT CATEGORIES? WHAT I'M ASKING IS, SAY THE CEILING NEXT YEAR IS 8 BILLION. WOULD IT BE POSSIBLE FOR SAUDI ARABIA, IRAN, AND SAY YUGOSLAVIA TO COME IN WITH 8 BILLION IN OFFERS AT SOME POINT IN THE YEAR AND FREEZE EVERYBODY ELSE OUT?

A. CERTAINLY NOT; IT JUST WOULDN'T BE POSSIBLE.

UNCLASSIFIED

PAGE 16 STATE 215069

Q. WOULDN'T BE PHYSICALLY POSSIBLE?

A. WELL, IT WOULDN'T BE PHYSICALLY POSSIBLE AND IT WOULDN'T BE POSSIBLE UNDER OUR PROCEDURES BECAUSE THE PROCEDURES CALL FOR A VERY CAREFUL INTER-AGENCY ANALYSIS OF ALL REQUESTS, AND WE HAVE COMMITMENTS WHICH WE HAVE MADE TO A GREAT MANY COUNTRIES AND WE HAVE TO KEEP ALL OF THOSE IN MIND AT THE TIME WE'RE MAKING DECISIONS ABOUT THE REQUESTS OF THE THREE COUNTRIES THAT YOU'VE MENTIONED -- A HYPOTHETICAL SITUATION -- AND SO IT JUST WOULDN'T BE POSSIBLE. I MEAN THAT WOULDN'T BE VERY RESPONSIBLE EITHER.

Q. BUT IF I MAY CONTINUE WITH MY HYPOTHETICAL QUESTION, IS THERE AN IDEA OF HOW MUCH OF A CEILING ONE COUNTRY CAN HAVE?

A. NO.

Q. IN OTHER WORDS, IF YOU GET OFFERS FROM, SAY, SAUDI ARABIA AGAIN FOR QUITE A LOT MORE THAN THEY HAVE BEEN GETTING, IS THERE SOME POINT WHERE YOU SAY YOU'RE GOING

TO GO OVER THE CEILING EVEN THOUGH THE TOTAL HASN'T BEEN REACHED YET?

A. I SUPPOSE ANYTHING IS POSSIBLE, BUT WE JUST WOULDN'T DO IT THAT WAY. WHAT WE DO IS TO FIGURE OUT, ON AN ANNUAL BASIS, WHERE THE NEED IS THE GREATEST, WHAT DOESN'T HAVE TO BE SOLD, WHAT MIGHT BE POSTPONED UNTIL ANOTHER YEAR, AND THEN MOVE AHEAD WITH THOSE THINGS THAT SEEM CLEARLY IN THE INTEREST OF THE NATIONAL SECURITY OF THE UNITED STATES AND OUR FRIENDS AND ALLIES.
UNCLASSIFIED

PAGE 17 STATE 215069

MR. ERICSON: THERE ARE NO COUNTRY QUOTAS.

Q. DO YOU HAVE A LIST OR THE RANKING OF THE COUNTRIES WHICH ARE BUYING ARMS FROM US? WOULD SAUDI ARABIA WITH ITS 4.9 BE THE PRINCIPAL ARMS PURCHASER?

A. NO. MOST OF SAUDI ARABIA'S PURCHASES -- NOT MOST OF THEM, BUT A VERY LARGE PROPORTION -- ARE CONSTRUCTION.

Q. I SEE. CAN YOU GIVE US AN IDEA OF WHICH COUNTRIES ARE BUYING THE MOST ARMS?

A. ASIDE FROM NATO, AUSTRALIA, NEW ZEALAND, AND JAPAN, ISRAEL --

Q. THIS IS IN ORDER?

A. NO, IT'S NOT IN ORDER. ISRAEL, IRAN, KOREA -- SOUTH KOREA. CHRISTOPHER

UNCLASSIFIED

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Message ID: 97d4f759-c288-dd11-92da-001cc4696bcc
Office: ORIGIN NEA
Original Classification: UNCLASSIFIED
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 12
Previous Channel Indicators:
Previous Classification: n/a
Previous Handling Restrictions: n/a
Reference: n/a
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 29 mar 2005
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: N/A
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 1588740
Secure: OPEN
Status: NATIVE
Subject: MIDDLE EAST PORTIONS OF BENSON PRESS BRIEFING
TAGS: SOPN, US, XF, (BENSON, LUCY WILSON)
To: AMMAN CAIRO MULTIPLE
Type: TE
vdkgvwkey: odb://SAS/SAS.dbo.SAS_Docs/97d4f759-c288-dd11-92da-001cc4696bcc
Review Markings:
Sheryl P. Walter
Declassified/Released
US Department of State
EO Systematic Review
20 Mar 2014
Markings: Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014